

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

Anchorage, Alaska

May 8, 2020

1:08 p.m.

MEMBERS PRESENT

Representative John Lincoln, Co-Chair (via teleconference)
Representative Geran Tarr, Co-Chair
Representative Grier Hopkins, Vice Chair (via teleconference)
Representative Sara Hannan (via teleconference)
Representative Chris Tuck (via teleconference)
Representative Ivy Spohnholz
Representative Dave Talerico (via teleconference)
Representative George Rauscher (via teleconference)
Representative Sara Rasmussen (via teleconference)

MEMBERS ABSENT

All members present

OTHER MEMBERS PRESENT

Representative DeLena Johnson (via teleconference)
Representative Bart LeBon (via teleconference)
Representative Dan Ortiz (via teleconference)

COMMITTEE CALENDAR

PRESENTATION: IMPACT OF COVID-19 TO THE OIL & GAS INDUSTRY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KARA MORIARTY, President/Chief Executive Officer
Alaska Oil and Gas Association
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation by the Alaska Oil and Gas Association dated 5/8/20.

DAMIAN BILBAO, Vice President, Commercial Ventures

BP Alaska

Anchorage, Alaska

POSITION STATEMENT: Presented current trends in the global oil market and provided an update on Hilcorp's acquisition of BP Alaska.

SCOTT JEPSEN, Vice President, External Affairs & Transportation

ConocoPhillips Alaska

Anchorage, Alaska

POSITION STATEMENT: Presented an overview of ConocoPhillips' response to COVID-19.

ERIK KESKULA, Vice President, North Slope Operations

ConocoPhillips Alaska

Anchorage, Alaska

POSITION STATEMENT: Answered questions during the presentation by ConocoPhillips Alaska.

DAVID WILKINS, Senior Vice President

Hilcorp Alaska

Anchorage, Alaska

POSITION STATEMENT: Provided an overview of Hilcorp's response to COVID-19.

BRUCE DINGEMAN, Executive Vice President

Oil Search Limited

President, Oil Search Alaska

Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation by Oil Search Alaska dated 5/8/20.

BETSY HAINES, Senior Vice President, Operations & Maintenance

Alyeska Pipeline Service Company

Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation by the Alyeska Pipeline Service Company dated 5/8/20.

REBECCA LOGAN, Chief Executive Officer

Alaska Support Industry Alliance

Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation, entitled "Impacts of Covid-19 on the Support Industry," dated 5/8/20.

CORRI FEIGE, Commissioner

Department of Natural Resources

Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation, entitled "COVID-19/Low Oil Prices: An Evolving Outlook for Production," dated 5/8/20.

PASCAL UMEKWE, PhD, Commercial Analyst
Division of Oil and Gas Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-provided a PowerPoint presentation, entitled "COVID-19/Low Oil Prices: An Evolving Outlook for Production," dated 5/8/20.

TOM STOKES, Director
Division of Oil and Gas
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Co-provided a PowerPoint presentation, entitled "COVID-19/Low Oil Prices: An Evolving Outlook for Production," dated 5/8/20.

DAN STICKEL, Chief Economist
Tax Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Offered comments during the presentation on the impact of COVID-19 to the oil and gas industry.

ACTION NARRATIVE

[1:08:06 PM](#)

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 1:04 p.m. Representatives Rauscher (via teleconference), Talerico (via teleconference), Rasmussen (via teleconference), Hannan (via teleconference), Tuck (via teleconference), Hopkins (via teleconference), Lincoln (via teleconference) and Tarr were present at the call to order. Representatives Spohnholz arrived as the meeting was in progress.

PRESENTATION: Impact of COVID-19 to the Oil & Gas Industry

[1:09:03 PM](#)

CO-CHAIR TARR announced that the only order of business would be a presentation on the impact of COVID-19 to the Oil and Gas industry.

[1:09:12 PM](#)

KARA MORIARTY, President/Chief Executive Officer, Alaska Oil and Gas Association (AOGA), provided a PowerPoint presentation on behalf of AOGA. She directed attention to slide 2, which depicts AOGA membership organizations, adding that AOGA is a professional trade association "whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans." She informed the committee that AOGA represents the majority of companies that are exploring, developing, producing, refining, and marketing oil and gas on the North Slope (NS), Cook Inlet, and in the offshore areas of Alaska. Ms. Moriarty directed attention to slide 3 and stated that while "critical infrastructure" designations by the U.S. Department of Homeland Security, the state of Alaska, and local jurisdictions have been crucial to the continued production, transportation, and refining of oil and gas in Alaska, operations have nonetheless been impacted as companies work to minimize the risk of COVID-19.

MS. MORIARTY illustrated AOGA's key response priorities that have remained throughout the pandemic: safety of employees, contractors, and Alaskan communities; health and safety measures in accordance with guidance from WHO, CDC, and state officials; and safe and operational facilities to deliver the energy resources that Alaskans depend on. She detailed several examples of the steps AOGA members have taken to keep personnel safe, facilities operational, and compliance with the governor's health mandates, including: regular communication to ensure a unified industry response; closed in-town offices and required remote work; limited the number of onsite company personnel at facilities; requested state and federal regulatory agencies to utilize teleconference or virtual communications; instituted medical screenings for commuter flights and other facility checkpoints; required cloth face coverings on all aircraft and while working on the NS; implemented rigorous social distancing protocols; and modified schedules to reduce change-outs and allow for quarantine.

[1:15:09 PM](#)

CO-CHAIR TARR questioned whether any of the data gathered from AOGA's medical screenings is shared with the Department of Health and Social Services (DHSS).

[1:15:39 PM](#)

MS. MORIARTY said she was unsure and offered to follow up with the requested information.

[1:16:31 PM](#)

MS. MORIARTY continued to slide 4, which listed the two industry COVID-19 cases in Alaska to date, including one BP employee on the NS and one contractor from Deadhorse. Slide 5 illustrated the oil and gas industry's effort to support Alaskans during this difficult time; for example, several companies donated surplus personal protective equipment (PPE) to local hospitals and BP donated jet fuel to FedEx and Alaska Airlines for critical flights. She directed attention to slides 6 and 7, which addressed several ways the industry has been significantly impacted by COVID-19. Firstly, there has been a drastic drop in demand for products made by petroleum; secondly, the prices of oil have fallen to their lowest levels in nearly 20 years.

[1:21:45 PM](#)

MS. MORIARTY noted that in March 2020, the nation's oil and gas industry saw a 9 percent reduction in drilling and refining jobs. She said the number increases when industry related construction, manufacturing, and shipping jobs are included, which account for another 15,000 positions. She continued to slide 8 and explained that a more competitive landscape is expected to emerge from the effects of the pandemic. The long-term outlooks predict that the world will need oil and gas well into the future. Slide 9 illustrates that Alaska's resource potential warrants a part in meeting that global demand. Ms. Moriarty indicated that despite current low demand and plummeting prices, Alaska remains a potential super basin due to new discoveries and potential projects that could recover 14 billion barrels at minimum. Nonetheless, when global demand returns, Alaska will not be the only oil and gas province that will be ready to deliver. She suggested that a new level of competition will arise between oil and gas regions to attract company spending, and Alaska will need to compete.

[1:26:56 PM](#)

REPRESENTATIVE RAUSCHER asked why the charts on slide 8 do not depict a drastic decline in oil production in 2020.

[1:27:32 PM](#)

MS. MORIARTY explained that the charts on slide 8 were created prior to the pandemic. She added that the prevailing expectation is that demand will return to normal levels as countries start to reopen their economies and utilize petroleum products.

[1:28:48 PM](#)

MS. MORIARTY, resuming her presentation on slide 10, addressed the proposed oil tax ballot initiative. She opined that the ballot measure would be a major set back if it were to pass, adding that "Alaska's entire economy would struggle to recover." She concluded that despite the short-term impacts of low oil prices and COVID-19, AOGA remains committed to Alaska.

[1:30:04 PM](#)

REPRESENTATIVE TUCK asked if the 150-300 percent tax increase on the oil and gas industry, as suggested on slide 10, is total state payments or production tax.

[1:30:20 PM](#)

MS. MORIARTY stated that the oil tax ballot measure only impacts severance tax. She further noted that "at current prices it's still about 150 percent increase over current production tax."

[1:30:41 PM](#)

REPRESENTATIVE TUCK inquired as to the overall tax increase.

[1:30:46 PM](#)

MS. MORIARTY surmised that it would be the same, as the ballot initiative only affects production tax.

[1:31:31 PM](#)

CO-CHAIR TARR questioned whether laid-off employees are searching for employment elsewhere or if their enhanced unemployment benefits through the CARES Act offer them enough wage replacement to "wait this out."

[1:32:47 PM](#)

MS. MORIARTY surmised that it's too soon to tell. She speculated that even with the additional CARES Act funding,

unemployment benefits would not compare to wages from the higher paying jobs in Alaska, such as on the North Slope. She suggested directing that question to the Department of Labor & Workforce Development (DLWD).

[1:33:49 PM](#)

CO-CHAIR TARR acknowledged that Alaska's maximum benefit is \$370 per week, which replaces annual wages of approximately \$35,000. She further noted that the CARES Act funding adds an additional \$600 per week, which is an equivalent of \$15 per hour. She expressed a desire to figure out who has been impacted, as well as who might leave Alaska once restrictions are lifted and how that could impact the state's economy long-term.

[1:34:55 PM](#)

REPRESENTATIVE SPOHNHOLZ recalled Professor Guetabbi's testimony in the House Labor and Commerce committee about the wage replacement value, including the federal CARES Act funds. She reported that benefits "tap out" at \$50,000 per year; therefore, unemployment benefits will not fully replace the income of those who make more than \$50,000. She speculated that oil industry jobs are amongst the highest paying jobs in the state of Alaska with employees making an average of \$90,000 per year; consequently, it's in their best interest to keep working because the wage replacement will not fully replace the income. Furthermore, the additional federal benefit of \$600 per week will discontinue in July 2020.

[1:37:21 PM](#)

DAMIAN BILBAO, Vice President, Commercial Ventures, BP Alaska, informed the committee that he would be providing a brief update on the global oil market and what it means for Alaska, as well as an update on the BP/Hilcorp transaction. Mr. Bilbao stated that oil continues to provide the largest source of oil for the planet, with renewable energy serving as the fastest-growing area in recent years. In 2019, the world produced and consumed an average of 94 million barrels of oil every day. The forecast for 2020 predicted that number would slightly increase, per usual; however, according to the International Energy Agency (IEGA), 2020 supply levels remained consistent as of April, while demand dropped by almost 30 million barrels per day. He said the difference in supply and demand is a culmination of the slowing economy, idle factories, and limited transportation. He further noted that the U.S. demand for oil by refineries dropped

to its lowest level since the early 1990s. Furthermore, inventory levels increased dramatically - the U.S. inventories alone rose to 500 million barrels of oil. Without sufficient demand the oil was not being consumed, leading a crash in oil prices and a significant increase in cost of inventory. He pointed out that Alaska oil was not exempt from this. Due to the state's high cost and distance from market, the resulting price at the NS field is lower and more financially challenging. He further noted that that the decline in Alaska production during the early 2000s led several West Coast refineries to invest in preparation for other sources of oil. He reflected on the importance of maintaining NS production "flat or growing" and projecting confidence to refineries in the continued availability of NS oil resources "for decades to come."

[1:44:02 PM](#)

CO-CHAIR TARR asked if Mr. Bibao, as an international operator, participates in discussions regarding other jurisdictions.

MR. BILBARO said his focus is on Alaska.

[1:45:01 PM](#)

MR. BILBAO turned his attention to the BP/Hilcorp transaction. He related that excellent preparations and progress has been made. He addressed the effect of uncertainty in the oil and gas industry, adding that the drop in oil price in addition to the health response to COVID-19 and BP's ongoing business transition, has been challenging for the workforce. He said that both BP and Hilcorp senior management have a desire to reduce the uncertainty and potential distractions faced by the workforce "that may lead to some unfortunate events in the North Slope." As a result, BP and Hilcorp agreed to make several changes to the purchase and sale agreement (PSA) that covers the sale of BP Alaska. Firstly, the PSA was restructured to work better at today's oil price. Under the revised agreement, the total consideration for the sale remains unchanged at \$5.6 billion; however, the structure of the consideration and the phasing of the payments has been modified to include lower completion payments in 2020 and interest bearing vendor financing - a commonly used tool for the lending of money by a seller (BP) to a buyer (Hilcorp) who then uses the money to pay for a portion of the transaction. Secondly, the option was created to bifurcate the close of the upstream from the midstream sale, as leadership recognized that uncertainty on the close date is a potential distraction during difficult times.

The third change to the PSA is post-close resourcing to ensure that Hilcorp is positioned for success on day one. After close, up to 50 BP employees that are currently scheduled for early retirement beginning June 30, 2020, will continue to support Prudhoe Bay operations for 90 days. Mr. Bilbao turned attention to progress made on the regulatory front. He reported that after discussions with several state and federal agencies, BP is optimistic that the upstream sale will be ready to close on June 30, 2020. In support of the sale of BP's midstream assets, BP and Hilcorp submitted nearly 9700 pages in response to the Regulatory Commission of Alaska's (RCA's) request in March for additional information. The BP Hilcorp response has been made available to the Department of Natural Resources (DNR) as part of the department's review of the sale. He stated that the RCA submission "is as comprehensive and complete as we could make it." He further explained that most of the questions and responses focus specifically on sensitive information, with 75 percent of the confidential material falling into three categories: (1) Risk assessment; (2) Studies on dismantlement, removal, and restoration (DR&R); (3) Minutes of meetings between Taps owners and Alyeska leadership. He noted that risk assessment and some of the DR&R studies are protected as confidential energy infrastructure information because of the potential for misuse "in preparation for a terrorist attack." Another 17 percent of the confidential documents are insurance policies, which contain competitively sensitive information about the Alaska pipelines and many of Hilcorp's businesses both inside and outside of Alaska, and 8 percent of the remaining confidential documents include operating agreements for pipelines and the PSA terms.

[1:51:13 PM](#)

MR. BILBAO reiterated that the terms of the PSA were ruled confidential by the RCA. The RCA and DNR, he said, are entrusted with decisions related to the transfer of assets [from BP to Hilcorp] and have full access to the entire response submitted on May 4, 2020. In closing, he said that BP is making every effort to treat people with respect and support during these uncertain times. He announced that BP donated 3 million gallons of jet fuel to support the COVID-19 response, of which 1 million is going to Alaska Airlines to aid them in supplying remote communities in Alaska. He also shared that BP launched a digital response hub with Research Data to meet the state's 14-day quarantine requirements. The platform records health data in real time, eliminates additional contact with health professionals, and immediately flags potential warning signs, he

said. He further noted that BP pledged to donate the online platform's code to any company that needs to screen and quarantine employees, with the goal of helping to mitigate the spread of COVID-19 in Alaska.

[1:53:40 PM](#)

REPRESENTATIVE SPOHNHOLZ asked what percentage of the 9,700-page RCA response has been deemed confidential.

[1:54:17 PM](#)

MR. BILBAO explained that "the vast majority" were requested to be held confidential, which reflects the confidential nature of the subject matter. He estimated that over 85 percent of the response is directly focused on "areas of sensitivity."

[1:55:09 PM](#)

REPRESENTATIVE RASMUSSEN thanked Mr. Bilbao for sharing information about BP's new [digital response hub]. She expressed her hope for future collaboration in Alaska's business community.

[1:55:46 PM](#)

CO-CHAIR TARR sought further clarification on the primary changes made to the PSA that covers the sale of BP Alaska.

[1:56:22 PM](#)

MR. BILBAO summarized the three changes made to the PSA: payments were restructured for a low-price environment; the option to bifurcate the close of the upstream from the midstream sale was created; post-close resourcing was ensured to position Hilcorp for success with qualified personnel. He noted that the restructured PSA payments included both the deferral of certain payments beyond 2020 and interest-bearing vendor financing. He described interest-bearing vendor financing as follows:

Interest-bearing vendor financing is a commonly used tool in M&A transactions. It's a fancy way of saying that the seller loans the money to the buyer, and the buyer then repays that loan like any other loan it would obtain from another entity - from a bank - but it's receiving that loan from the seller.

[1:58:15 PM](#)

CO-CHAIR TARR questioned whether offering interest-bearing vendor financing could change the RCA's perception or approval of the BP/Hilcorp deal.

[1:59:06 PM](#)

MR. BILBAO declined to speak on behalf of the RCA. He explained that this method is occasionally used by the industry to reduce uncertainty on the financing, adding that it's clarifies where the loan is coming from. He said the regulator knows that BP is providing the financing, which addresses some of their questions and uncertainty.

[1:59:56 PM](#)

CO-CHAIR TARR asked whether aspects of the DR&R studies are available to the public.

[2:01:06 PM](#)

MR. BILBAO stated that the category of DR&R includes a broader scope of documents that include, for example, a definition of risks within the Trans-Alaska Pipeline System (TAPS), which are of national concern for security reasons. He said that is another reason why much of this material is held confidential and, aside from commissioners and their staff, is not shared publicly.

[2:02:11 PM](#)

REPRESENTATIVE RAUSCHER questioned whether interest-bearing vendor financing was only used toward the down payment.

[2:02:40 PM](#)

MR. BILBAO shared that the interest-bearing vendor financing is an element used in the amendment to the PSA. He added that additional financial terms would not be disclosed.

[2:03:26 PM](#)

REPRESENTATIVE SPOHNHOLZ asked when to expect the RCA's decision.

[2:03:37 PM](#)

MR. BILBAO said that decision would be welcomed as soon as the RCA is ready to deliver it, adding that preparations are being made to close on the midstream portion of the business by June 30, 2020. He noted that the RCA originally issued the timeline of a decision by September 28, 2020.

[2:04:25 PM](#)

REPRESENTATIVE SPOHNHOLZ surmised, "you'll know when we know."

[2:04:31 PM](#)

MR. BILBAO confirmed that.

[2:05:50 PM](#)

SCOTT JEPSEN, Vice President, External Affairs & Transportation, ConocoPhillips Alaska, provided additional context regarding ConocoPhillips Alaska, Inc.'s response to the COVID-19 pandemic, as well as an overview of the company's decision to curtail NS production. He paraphrased from a written statement, as follows:

When the COVID-19 outbreak started to look like it could impact Alaskan or North Slope operations, we quickly started to take action to protect the well-being of our workforce and their families, help mitigate the spread of the disease, and safely run our business. One of our first actions was to implement health screenings on March 2, at Ted Stevens International Airport for all of our north bound passengers traveling on the company planes. On March 9, the screening process was expanded to include temperature checks. Anyone who could not pass the health screening was not allowed to go north. As the seriousness of the COVID-19 outbreak became more apparent, we became concerned about our limited capacity on the North Slope to respond to multiple [coronavirus] cases. We made several decisions on March 18 to address this concern.

First, we put in place a policy that required all personnel traveling to the North Slope to have been in state for at least two weeks and pass the health screening before traveling to the North Slope. For those who had traveled out of state during their time

off, they're required to undergo a two-week quarantine before they could travel north. In order to accommodate this, we changed shift schedules so that those who need to travel out of state would have time to travel and then spend their two-week quarantine period on their days off; for example, this meant for some people, their schedule went from two weeks on - two weeks off, to four weeks on - four weeks off.

Second, we decided that the most effective, proactive measure we could take was to scale back our North Slope operations to reduce the number of personnel that could be exposed to the disease. We prioritized scaling back operations that were out on ice roads and farthest from infrastructure. Consequently, we made the difficult decision on March 18, to end our 2020 exploration drilling program early; bring to closure any ice-season dependent nonessential activity and bring personnel back to Anchorage that were not critical to ongoing operations.

On April 7, we elected to further reduce our North Slope personnel by laying down our rigs at Kuparuk and Alpine. The timing of this decision was driven by our COVID-19 strategy of removing personnel from the North Slope, but oil price also played a role. It's likely that we would have made the same decision a few weeks later as the scale of the historic drop in oil price became more apparent.

At our peak this last winter, we had approximately 3,000 workers onsite - today, we have about 1,100. Unless we see a [coronavirus] outbreak on the slope, we will likely remain at this level until we begin to ramp up our operations again.

[2:08:51 PM](#)

In Anchorage, our response to the [coronavirus] threat has been to ask employees to work from home. We made that decision on March 16. Of our approximately 600 town-based employees, only a handful are still working from the office. This staff working in the office are following all the recommended social distancing protocols and through all of this, we have been following the state mandates issued by the governor.

We are now in the process of determining when and how we will bring people back to our office and the North Slope. Our plan for the Anchorage office is to bring people back in three stages with diminishing social distancing protocols at each state. In order to provide the ability to follow strict social distancing requirements of the first phase, we intend to bring back no more than 25 percent of the workforce on May 18. In phase two, we will bring back up to 50 percent and in phase three, all employees. The dates we are implementing phase two and three have not been set. In making the decision about which employees return to work, we will be flexible and consider the lack of childcare facilities, employees who may be at high-risk or live with family members who are high-risk, and other factors, which are unique to today's environment.

On the slope, our resumption of activity will not be as straight forward. The historic demand destruction caused by society's response to the COVID-19 threat coupled with a global oversupply of oil is an extraordinary confluence of factors that has caused the price of oil to drop to very low levels. Alaska has not been exempted from the price drop. As posted on the DOR's website, the average price of ANS in April, was \$16.55 per barrel before transportation costs. Subtracting transportation yields an average April ANS North Slope price of around \$8 per barrel.

In response to unacceptably low oil prices, ConocoPhillips, on April 16, announced its decision to curtail May production in Canada and the lower-48 by 225,000 barrels per day, gross. On April 30, we announced that we intended to curtail our June North Slope production from Kuparuk and our western North Slope fields by 100,000 barrels per day, gross. This decision will be reviewed on a month to month basis. The market conditions that are driving our decision to curtail production will also be key in our decision to resume North Slope drilling. The decision of the voters on the oil tax ballot measure will also play a role. If the ballot measure passes, it will result in a significant tax increase - even at low oil prices - and will put a break on future investment and stall recovery of the North Slope.

2:11:01 PM

In anticipation of some of your questions, I want to make a few comments about the curtailment we're planning. The amount of curtailment is driven by the minimum production required to run the facilities. We are not completely shutting down production because of the cost and complexity of a total field shutdown. We want to be able to respond if market conditions improve. We have discussed curtailment with Alyeska Pipeline Service Company. The volume we are curtailing will not adversely impact their operations. This is a separate action from the TAPS proration. Our curtailment ramp down will begin in the later part of May. We are planning on ramping down production at the Colville River Unit to approximately 25,000 barrels per day - this is down from a typical average day of about 55,000 to 60,000 per day before curtailment - to about 35,000 barrels per day from the Kuparuk River Unit, which is down from about 100,000 barrels per day.

We are in extraordinary times. Our company is very concerned about the state of the Alaskan economy and the wellbeing of the state's residents. We have taken a number of actions in response to the [coronavirus] threat to put barriers in place to prevent its spread and to protect our workforce, their families, and Alaskans at large.

We are also continuing our philanthropic donations. Today, we have made close to \$3 million in donations to nonprofits around the state and recently made a \$200,000 donation, including a \$100,000 matching grant, to the Alaska Can Do campaign. The Alaska Can Do campaign is being run by the United Way of Anchorage and the Alaska Community Foundation with support from the Rasmuson Foundation. The campaign is aimed at providing immediate and long-term support to nonprofits that serve Alaskans whose lives have been impacted by the pandemic. Our other donations include support for nonprofits, like Bean's Café, Covenant House Alaska, Catholic Social Services, Blood Bank of Alaska, Camp Fire Alaska, AWAIC [Abused Women's Aid In Crisis], and other organizations that are particularly critical in providing support in today's environment.

[2:13:15 PM](#)

MR. JEPSEN in closing, related that the response to the COVID-19 pandemic combined with the demand destruction in reaction to the coronavirus threat has caused ConocoPhillips to significantly reduce North Slope activity. He reported that there has yet to be a case of COVID-19 among ConocoPhillips' North Slope operations or town-based employees. He conveyed that ConocoPhillips is encouraging its contractors to hire Alaskans for any openings. However, the recovery, he said, will depend on the recovery of oil price and demand, as well as on the investment climate in regard to the outcome of the oil tax initiative.

[2:14:11 PM](#)

REPRESENTATIVE SPOHNHOLZ applauded the continued philanthropic leadership demonstrated by ConocoPhillips. She inquired as to the number of employees that worked on the [North Slope] in May 2019.

[2:14:45 PM](#)

MR. JEPSEN clarified that as of January 2020, ConocoPhillips had 3,000 employees on the NS, whereas after demobilizing rigs and scaling back operations this spring, the number of employees reduced to 1,100.

[2:15:09 PM](#)

REPRESENTATIVE SPOHNHOLZ asked how many employees were laid off versus furloughed.

[2:15:27 PM](#)

MR. JEPSEN was unsure. He stated that none of the ConocoPhillips employees were laid off.

[2:16:12 PM](#)

REPRESENTATIVE SPOHNHOLZ questioned whether any ConocoPhillips employees have been furloughed.

[2:16:33 PM](#)

MR. JEPSEN said none of the ConocoPhillips employees have been laid off or furloughed. He noted that employment increases

during the winter due to the exploration program and ice road season; therefore, some seasonal employees worked a shorter season this year. He clarified that 3,000 employees do not work on the NS year-round.

[2:17:24 PM](#)

CO-CHAIR TARR asked how ConocoPhillips has accommodated their year-round NS employees and whether it's a better investment to keep them employed at this time.

[2:18:10 PM](#)

ERIK KESKULA, Vice President, North Slope Operations, ConocoPhillips Alaska, explained that ConocoPhillips transitioned roles that were not required for day-to-day operations on the NS to work remotely to ensure that the response could be managed in the event of an outbreak.

[2:20:12 PM](#)

CO-CHAIR TARR expressed interest in returning for a conversation after the pandemic is resolved to discuss the outlook for the oil and gas industry.

[2:21:17 PM](#)

DAVID WILKINS, Senior Vice President, Hilcorp Alaska, presented an overview of Hilcorp's response to COVID-19, as well as operational impacts of the coronavirus and current challenges in the global markets. He said that Hilcorp is facing a global pandemic coupled with a drastic drop in oil demand and oversupply in the global crude [oil] market, which has introduced numerous challenges to business. Nonetheless, he remarked that Hilcorp's production and drilling operations have continued, largely unchanged. He credited Hilcorp's field employees, contractors, and vendors for quickly developing a plan to cut costs and continue operations. He emphasized that Hilcorp continues to be coronavirus-free and is focusing on maintaining a safe and healthy workforce. He related the following actions in response to COVID-19: proper social distancing and personal hygiene; removal of nonessential field personnel; encourage employees to work from home; extended shifts to decrease travel frequency and private charter flights from Anchorage to Deadhorse to limit outside exposure; mandatory 14-day quarantine for out-of-state travel; required health screening prior to flights.

2:25:33 PM

MR. WILKINS turned his attention to Hilcorp's continued philanthropic efforts. He announced that Hilcorp has "moved" over \$1.5 million to the Alaska Community Foundation for 501(c)3 nonprofits. He said the fund will grow as Hilcorp takes on more employees after successfully closing the BP acquisition. He reiterated that despite current challenges, Hilcorp's production and operations have been unaffected; recently, oil production at the company's Milne Point Unit set a new milestone at 36,000 bpd, up from 34,000 bpd in February 2020. He shared that Hilcorp continues to operate three drilling rigs in Alaska: two on the NS and one in the Cook Inlet basin. Furthermore, the company expanded its operations at Milne Point with a third polymer pilot project at F pad. On the NS, drilling activity at Milne Point field is expected to continue as planned, utilizing Hilcorp's Innovation drill rig - operated by Parker Drilling - and the Doyon 14 rig. He noted that crews at Milne Point have taken additional precautions by establishing a secondary security and screening check point to further minimize the risk of coronavirus exposure or spread. In the Cook Inlet basin, Hilcorp is focused on meeting its natural gas commitments to local utilities. He said, "Cook Inlet gas production is building storage during the spring and summer and we continue to drill there so that we can store gas for the winter."

2:28:38 PM

MR. WILKINS further reported the company is using Hilcorp's 169 drill rig, operated by Parker Drilling, in the Cook Inlet. He noted that shifts for the drilling crew have been extended to reduce travel frequency and "our camps have been added our additional health and safety protocols so that we keep everybody healthy." He explained that workover operations are critical to maintaining and increasing production and remain a key component of Hilcorp's 2020 work plan and beyond. On the NS, Hilcorp's ASR workover rig has been laid down for maintenance; however, the company expects to reactivate it "later this summer" when maintenance is complete. Rig workovers in the Cook Inlet are utilizing Hilcorp rigs 404 and 401, both of which are operated by All American Oilfield, a subsidiary of Chugach Native Corporation. He further noted their crews are 100 percent Alaska-based and continue to work 14-day shifts. Mr. Wilkins informed the committee that Hilcorp continues to work closely with BP and the state of Alaska to ensure a seamless transition throughout the BP/Hilcorp transaction. He added the company is

working hard to "ensure day-one readiness," which includes preparations for welcoming BP employees and contractors that will join Hilcorp. He said the company plans on being an important part of Alaska's economy and community for years to come.

[2:32:10 PM](#)

BRUCE DINGEMAN, Executive Vice President, Oil Search Limited, President, Oil Search Alaska, provided a PowerPoint presentation by Oil Search Alaska (OSA) on the oil and gas industry response to COVID-19 and the accompanying decline in oil price. Mr. Bilbao directed attention to slide 2, which provided an overview of OSA's 2019-2020 Winter Season. He highlighted that OSA's medical plan was approved by the state; no incidence occurred in their operations and robust back-to-office protocols were implemented. He pointed out the extensivity of the company's winter program. OSA properties are located between the Kuparuk River Field and Alpine, both operated by ConocoPhillips Alaska, Inc. Over the winter season, OSA had two exploration drilling wells located Pikka East (Mitquq) and Horseshoe (Stirrup). Additionally, OSA conducted a large civil works program involving the construction of key infrastructure for future development: road and bridge to ND-B + pad; operations center pad (NOP); process facility pad (NPF); upgrade Mustang road. He noted that OSA had the earliest spud off ice in more than 40 years. Furthermore, the Mitquq well yielded hydrocarbon potential at the high end of pre-drill expectations and the Stirrup well tested at one of the highest rates for the Nanushuk with single stage simulation. Further successes from SOA's civil works program included 68 miles of ice roads and 111 acres of ice pads; 2.24 million cubic yards of gravel hauled; 11.5 miles of gravel road and 56 acres of gravel pad.

[2:37:12 PM](#)

MR. DINGEMAN continued to slide 3, which outlined OSA's Pikka project. He noted that the project has a scope of \$6 billion gross and encompasses a significant development across three drill sites, over 100 wells, and a large processing facility. The graph on slide 3 illustrated the projects subsequent growth opportunities, forecasting a large proportion of future TAPS throughput at 600,000 bpd reached by 2030 with the potential to last for decades. The project is in progress, with field appraisal complete, key regulatory and stakeholder approvals complete, organization built, engineering underway, and primary road and other infrastructure under construction. Potential

impacts to the state of Alaska include jobs and labor income during project construction and ongoing production operations; source of petroleum revenue; and multiplier effects in local communities.

[2:40:19 PM](#)

MR. DINGEMAN turned to slide 4, which outlined an updated business plan for the Pikka Project in light of the current economic environment. Slide 4 read as follows [original punctuation provided]:

2020 spending materially reduced

- » Rephased the project
- » Staff reductions
- » Pay cuts
- » Suspend exploration drilling for winter 2020/2021
- Resume in 2021/2022 at earliest

Re -phased Pikka project: final investment decision (FID) - moved out of 2020

- » Exploring opportunities to optimize the project and reduce breakeven costs
- » Suspend engineering at logical breakpoints during 2020
- » Currently planning for first oil in 2025

Alaska is a core -priority for Oil Search

- » Focused on maintaining capability to ramp -up when market conditions improve
- » Socially & environmentally responsible development is fundamental
- » Developing a world -class project and being a model for cooperation are key goals

[2:42:38 PM](#)

MR. DINGEMAN in closing, informed the committee of OSA's deep commitment to Alaska, as the state is a key platform of growth for the firm. He noted that over 90 percent of the company's staff is locally sourced and stressed OSA's desire to develop in a socially responsible way.

[2:43:55 PM](#)

REPRESENTATIVE SPOHNHOLZ asked what price point would allow the advancement of OSA's fall drilling season.

[2:44:10 PM](#)

MR. DINGEMAN explained OSA is exploring ways to reduce the breakeven cost of the [Pikka] project through reengineering and technical work. He added that current analysis shows the project has a mid-40 dollars per barrel ("dpb") requirement for economic return. He said a rebound of high 40s into the 50s would inspire confidence to progress the project.

[2:45:19 PM](#)

REPRESENTATIVE SPOHNHOLZ recalled that as of a few weeks ago, the futures market projected \$37 dpb. She recognized that the oil price forecast for the coming months is not encouraging, which from a state government standpoint, poses a challenge for Alaska's oil revenue situation. She added that OSA's projected 100,000 barrels could be useful.

[2:46:29 PM](#)

MR. DINGEMAN explained that the price of oil is a key determinant for the Pikka Project to proceed; further, as 2025 is the current date for first oil, price expectation in 2025 would drive investment decisions. Nonetheless, he stated that today's oil price is also important because it drives the firm's cash flow, which allows the OSA to make investments to proceed with the project. He listed two important criteria: a high enough price level to generate cash for healthy investment; compelling economics at the expected future price level. He said OSA is considering both current and future conditions in the evaluation to proceed.

[2:47:42 PM](#)

CO-CHAIR TARR observed that suspending the upcoming winter exploration season appears to be a trend. She expressed interest in staying updated on project expectations and projections for the coming years.

[2:48:41 PM](#)

MR. DINGEMAN said he would be happy to stay engaged as OSA's plans unfold and evolve. He further noted that through active communication, DOR has an updated view of OSA's forecasts and outlooks to allow for effective planning.

[2:49:38 PM](#)

BETSY HAINES, Senior Vice President, Operations & Maintenance, Alyeska Pipeline Service Company, provided a PowerPoint presentation by the Alyeska Pipeline Service Company (APSC). She informed the committee that APSC's efforts to manage health risks in its workforce began before Alaska had its first positive case of COVID-19. She said the organization responded quickly and effectively to mitigate the risk of COVID-19 and have continued to move oil without disruption. Referencing slide 2, she pointed out that that APSC has moved more than 18 billion barrels of NS crude oil through TAPS and in 2019, had 99.75 percent reliability. She explained today's presentation is focused on TAPS operation in the current environment of suppressed demand and excess supply; further, she said she would address two commonly asked questions regarding TAPS storage.

[2:52:23 PM](#)

MS. HAINES directed attention to slide 3 and noted that TAPS was not designed to be an oil storage facility. She remarked:

The system was designed to take oil in to Pump Station 1 in Prudhoe Bay [and] transfer the oil through pump stations and into Valdez. In Valdez, the oil is routed to a tank farm and balanced across available tanks until a tanker arrives and is loaded with oil. We have fourteen tanks in Valdez with a working inventory capacity of 6,605,000 barrels.

[2:56:30 PM](#)

MS. HAINES continued to slide 4, which pictured a flow chart of upstream and downstream stakeholders. She explained the oil Movements Department at APSC creates an inventory forecast by monitoring oil projected to enter the system, along with the tankers schedule and capacity. With this approach, the department can anticipate when inventory will become an issue. She noted that high inventory is considered anything above 75 percent. The goal is to keep inventory moving through the system, she said. She added that the majority of high inventory scenarios are resolved with good forecasting and solid schedule management; however, if oil cannot be moved through the system, APSC must reduce the amount of oil entering TAPS, otherwise known as a proration. In a proration, APSC notifies TAPS connectors to reduce the delivery of oil to TAPS by a specific percentage; 90 percent proration delivers a 10 percent in

incoming crude oil. She stated that APSC works hard to avoid a proration; however, there are times when it is necessary, and this month is one such time. Using their forecasting method, APSC had already identified inventory challenges in May and implemented a 90 percent proration on April 24, 2020. Today, APSC made a 5 percent adjustment and is currently at operating at an 85 percent proration - a 15 percent reduction. The strategy, she said, is to implement a light proration over a longer period of time to address inventory issues projected to occur throughout May. Ms. Haines directed attention to slide 5 and addressed the impact of low throughput. Slide 5 read as follows [original punctuation provided]:

Low throughput results in slower oil flow through the pipeline.

- TAPS was designed to move warm crude oil in an Arctic environment.
- As throughput declines, so does the rate at which crude oil flows through TAPS to Valdez.
 - 4.5-day transit time in 1988
 - 18-day transit time in 2018
- Slower flow rates may allow oil and water to separate during transit.
- Oil cools during longer transit times.
- Cooling may lead to potential ice formation and additional wax accumulation.

MS. HAINES continued to slide 6, which listed strategies to mitigate the aforementioned challenges: special pigging regimes, wax management strategies, and adding heat at key locations. She explained that APSC monitors the crude oil temperature along TAPS through the winter and determines the need for mitigation, such as heat. Heat can be added at pump stations with recirculation and along the pipeline with mobile heaters (slides 7 and 8). Ms. Haines directed attention to slide 9 to address how low TAPS can operate at. Slide 9 read as follows [original punctuation provided]:

- Earlier flow assurance research examined TAPS operational issues at flow rates above 300 MBD.
 - Research continues regarding operational issues at rates lower than 300 MBD.

- Data analysis to date suggests that with additional investment it may be technically possible to safely operate down to annualized throughput rates as low as 200 MBD.

- A dedicated flow assurance team is evaluating new technologies and alternative operating modes to build confidence that TAPS can operate at lower volumes.
- Technical capability does not necessarily equate to economic viability; the long-term sustainability of TAPS may ultimately be limited by per barrel transportation costs.

MS. HAINES noted that APSC has prepared for the possibility of lower flow in the coming months. She assured the committee that the right tools are in place and APSC will apply the necessary mitigations to keep oil moving safely and reliably; however, the best antidote to low flow issues is more oil. She indicated that an attractive fiscal climate to produce and deliver oil is required. She stressed that changes to fiscal policy, such as the ballot initiative, limits the opportunity for the oil and gas industry.

[3:01:58 PM](#)

CO-CHAIR TARR returned to slide 4 and remarked:

One thing that was a little bit unclear ... [is] there were two announcements that came out: one was ConocoPhillips individually ... to reduce production ...; the second announcement was the proration on TAPS. It was unclear at first whether those things would be additive, and it seemed like they should have been in a sense that one was one particular company and their own company production ... but then if you do proration, I would have thought it would have been split sort of equally among producers ... I thought they would be two distinct things, and then the position was modified and said, 'no that they wouldn't be additive.' And I just wonder if you could elaborate on that.

[3:03:05 PM](#)

MS. HAINES explained the initial analysis that APSC conducted for the first proration was in mid-April. She said APSC looks

at all connections coming and determines an equal cut to all connectors. She added the information coming in from the park connections is independent from the proration; nonetheless, it will factor in. APSC looks at several factors in the analysis, including upstream, capacity of the terminal and vessel movement, which change daily. She said APSC will evaluate the information provided from all connectors going into the month of June, adding that proration is always the last choice. She said APSC would like to turn back the proration as soon as possible.

[3:04:46 PM](#)

CO-CHAIR TARR surmised that ConocoPhillips is doing an independent reduction and accommodated what would have been included in the Kuparuk proration.

[3:04:58 PM](#)

MS. HAINES said no. She clarified that [ConocoPhillips] is independent of the proration that was started in mid-April; however, "it does help them meet the requirements of the proration when, in fact, they do start to decrease."

[3:05:17 PM](#)

CO-CHAIR TARR said it makes sense why they would not have been additive, because at the time of the initial proration announcement, ConocoPhillips would have already scaled back enough to accommodate it. She added, "if somehow it resulted in them needing to reduce by 150,000 barrels, for example, then that's where ... it would be more additive in the terms of the number of barrels reduced."

MS. HAINES confirmed that.

[3:05:58 PM](#)

REPRESENTATIVE SPOHNHOLZ remarked:

Right now, we've got about 500,000 barrels per day going through TAPS, and ConocoPhillips said that they're reducing production by \$100,000. If you're prorating to 90 percent then that's a 50,000 barrel per day reduction, and ConocoPhillips is saying that they're reducing by \$100,000.

REPRESENTATIVE SPOHNHOLZ asked if that will require an additional proration.

[3:06:34 PM](#)

MS. HAINES explained the Kuparuk change is occurring in late May. She reiterated that the initial proration started in April, adding that APSC will use the same basis going forward with a consistent proration required of all connectors to meet a volume that's calculated to meet the high point. She said with all four connectors meeting the requirement, if the proration can be pulled back it will be. She stated they are two independent events that will impact one another later in the month.

[3:07:39 PM](#)

REPRESENTATIVE SPOHNHOLZ recalled from previous testimony that different producers have different approaches to current events. She surmised that negotiations that take place regarding how the proration is apportioned amongst the different producers. She asked if that is a fair statement.

[3:08:15 PM](#)

MS. HAINES noted much of that takes place upstream from TAPS, which is out of APSC's purview. She said the proration is equally distributed to all connections.

[3:09:01 PM](#)

REPRESENTATIVE SPOHNHOLZ inquired as to the maximum capacity for the tank farm.

[3:09:33 PM](#)

MS. HAINES returned to slide 3 and said there are 6.6 million barrels of working inventory capacity.

[3:10:10 PM](#)

CO-CHAIR TARR asked how often tankers travel to Valdez.

[3:10:27 PM](#)

MS. HAINES explained that it's no longer daily. She said, "it's usually 20 or less now, and it decreases into the summer."

3:10:56 PM

REPRESENTATIVE RASMUSSEN expressed her appreciation for APSC's continued innovation towards keeping levels below previous projections.

3:13:03 PM

REBECCA LOGAN, Chief Executive Officer, Alaska Support Industry Alliance, provided a PowerPoint presentation, entitled "Impacts of Covid-19 on the Support Industry." She directed attention to slide 2, which listed Alaska Support Industry Alliance (Alliance) members by category, with oilfield support being the largest. Slide 3 addressed where Alliance was pre-coronavirus and featured a chart from the Department of Labor & Workforce Development (DLWD) showing the historical correlation between oil price and employment in the oil and gas industry. She pointed out that during the last downturn in oil prices, between 2016 and 2019, hundreds of Alliance's member companies had to downsize or went out of business. Slide 4 illustrated the impacts of COVID-19: immediate changes to operations, including quarantines, travel changes, and disruption due to uncertainty; the global oil crisis; and layoffs. She approximated that Alliance layoffs total 690 to date; however, some member companies have indicated that the total number is closer to 1,000. Slide 4, entitled "Looking Forward," addressed the outlook for the future. Short-term issues include changes in workforce, which could present more opportunities for Alaskans to fill the gap in specialized skillsets, and financial aid for companies. Long-term issues include oil price, which in turn, impacts the ability for delayed projects to get back on track. Another long-term issue is policy. She expressed concern about the ballot measure, adding that the future of Alliance members relies on company investment.

3:20:04 PM

REPRESENTATIVE RASMUSSEN asked if many Alliance members qualify for the PPP funding that is awaiting distribution.

3:20:36 PM

MS. LOGAN said the majority of Alliance members would qualify for both the PPP and EIDL. She added that those organizations are facing the same challenges as other industries. She reported that a member survey from two weeks ago revealed 11

Alliance members had been approved for a loan; however, of those 11, only 5 had received the funds.

[3:21:43 PM](#)

CO-CHAIR TARR asked for Ms. Logan's thoughts on small business grants versus loans.

[3:22:38 PM](#)

MS. LOGAN offered her belief that initially, without knowledge of how long the pandemic would last, individuals were comfortable with loans; however, now the dynamic has changed. She concluded that grants are needed, whereas loans are no longer helpful to struggling businesses.

[3:23:20 PM](#)

CO-CHAIR TARR acknowledged the growing need for aid and the anxiety regarding delays in distribution and other uncertainties. She expressed reassurance that the timely distribution of funding is a priority and that hopefully, further clarity on the method of distribution would be provided so that the funds get to small businesses.

[3:24:51 PM](#)

MS. LOGAN agreed and added that after experiencing the PPP and EIDL process, people recognize the importance of better parameters and guidelines.

[3:26:09 PM](#)

CORRI FEIGE, Commissioner, Department of Natural Resources, provided a PowerPoint presentation, entitled "COVID-19/Low Oil Prices: An Evolving Outlook for Production." She explained that the Department of Natural Resources (DNR) has continued to operate throughout the pandemic, partly by converting to telework. Early on, she said, it became clear that DNR could protect the state's interest by working through the framework of statutes and limitations to stabilize the businesses working within the oil and gas industry. She noted that to prevent a "concept of cascading failure," a steady approach from DNR has been of critical importance. DNR has attempted to stabilize the industry through actions such as creating payment schedules on lease rentals, managing production curtailments and associated impacts to operators, and monitoring environmental and permit

compliance on activities associated with normal production. She pointed out that all of this was managed while simultaneously carrying out COVID-19 mitigation.

3:30:36 PM

PASCAL UMEKWE, PhD, Commercial Analyst, Division of Oil and Gas Department of Natural Resources, directed attention to slide 2, which outlined the presentation. Slide 3 featured timeline of oil prices and recent operator announcements. Slide 4 listed steady-state forecast assumptions on currently producing fields, both in a base decline and in a COVID-19/low oil price environment. He pointed out that in a COVID-19 environment, rigs are demobilized, nonessential well work is put off, and overall, production is negatively impacted.

3:35:42 PM

DR. UMEKEWE continued to slide 5, which illustrated a COVID19/low oil price production scenario. A bar chart featured on the slide displayed a statewide production forecast comparison for fiscal years 2020 and 2021. The forecast suggests an estimate of 5.2 percent decline from FY 20 to FY 21; further, rig laydowns are the main drivers for expected short term production decline. Slide 6 listed other related factors that could impact production outlook. He noted that prior to suspension in active development activities, some operators had drilled up to 50 percent of their planned wells for FY 20. Slide 7 illustrated the general impact of new drilling on near-term NS production decline. He pointed out that historically, NS production declines annually by 4-5 percent; however, without additional drilling the decline would be 9-10 percent. Thus, production from new wells mitigates overall NS production decline.

3:41:58 PM

DR. UMEKEW referred to slide 8, which provided a production impact summary. Slide 8 read as follows [original punctuation provided]:

- **Key Considerations:**

- Analysis excludes any non-public information by operators and uses public announcements (as at April 28), alongside other modeling assumptions.
- Analysis assumes that drilling for 2020 will not exceed baseline development drilling in the recent

past for all NS operators

- **Production impact (Short term):**

- The main driver for production drop in the near-term is stop-work initiative by operators, due to Covid-19 and low oil prices.

- For FY2020, estimate of ~13000 bpd drop in production due to rig layoffs/stop work, compared to Spring 2020 forecast developed in February 2020.

- For FY2021, estimate of ~32000 BOPD decline against Official Spring 2020.

- **Production impact (Long term):**

- Downward adjustment of long-term oil prices is expected to affect economic viability of projects planned to come online in the medium to long term. Results from this analysis only show production impact through YE 2021.

- **Proration/production cuts:**

- Results shown exclude proration on production, or production cuts resulting from any midstream or downstream activities.

- **Key take-away:**

- **Current production outlook includes very high levels of uncertainty, due to dynamic changes in operator decisions, in response to overarching macroeconomic uncertainties.**

[3:46:09 PM](#)

TOM STOKES, Director, Division of Oil and Gas, Department of Natural Resources, returned to slide 5 and clarified that the production forecast does not include the 15 percent proration that has occurred. The forecast also excludes any voluntary restrictions that companies are placing on themselves, such as ConocoPhillips' plan to reduce 100,000 barrels.

[3:48:37 PM](#)

CO-CHAIR TARR referencing slide 8, asked for a timeline between when an operator might alert DNR to a change in their production plan and when that information would become public.

[3:49:07 PM](#)

COMMISSIONER FEIGE said DNR is communicating with producers on a regular basis to get a sense of those looking at curtailments due to price impacts as well as COVID-19. She explained that typically, DNR will get a sense of the impending changes right before the operator makes a public announcement or press release.

[3:50:19 PM](#)

CO-CHAIR TARR pointed out that as the budget situation is being considered, every penny is part of the consideration. She said it's good to know there could be additional announcements coming.

[3:50:41 PM](#)

COMMISSIONER FEIGE reiterated the fluidity of the current situation. She said DNR and DOR will continue to provide information as timely as possible. She acknowledged the difficulty of anticipating the revenue picture.

[3:52:01 PM](#)

DAN STICKEL, Chief Economist, Tax Division, Department of Revenue, explained that in response to COVID-19 the Department of Revenue (DOR) issued a revenue forecast in early April that was based on the DNR production forecast from information known as of late February. He noted that at that time, DOR projected a \$37 per barrel average for Alaska NS crude oil in 2021, which is the latest official revenue forecast. Since then, DOR has been working with DNR on the updated production forecast and a potential proration analysis that adds to the work done by DNR. He offered his belief that the information related to that analysis could potentially be released next week.

[3:54:03 PM](#)

CO-CHAIR TARR made a requested for information regarding the updated analysis.

[3:59:18 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:59 p.m.